

Economic and Financial Effects of Lower Energy Prices

Presentation to Accompany Testimony by
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Summary of the Analysis

- The WEFA U.S. Macroeconomic Model was used to simulate a 10% decrease in petroleum prices.
- The price decrease stimulated higher economic activity, job creation, and investment. Unemployment fall.
- Inflation declined, as did the user cost of capital.

Federal Financial Results

- Lower fuel prices and lower inflation yield lower expenditures.
- Federal government saves about \$100 billion over the ten-year period.
- Lower outlays improve the general fund surplus, which grows by \$76 billion more than baseline.

Chart 1
Additional Gross Domestic Product
(After Inflation)

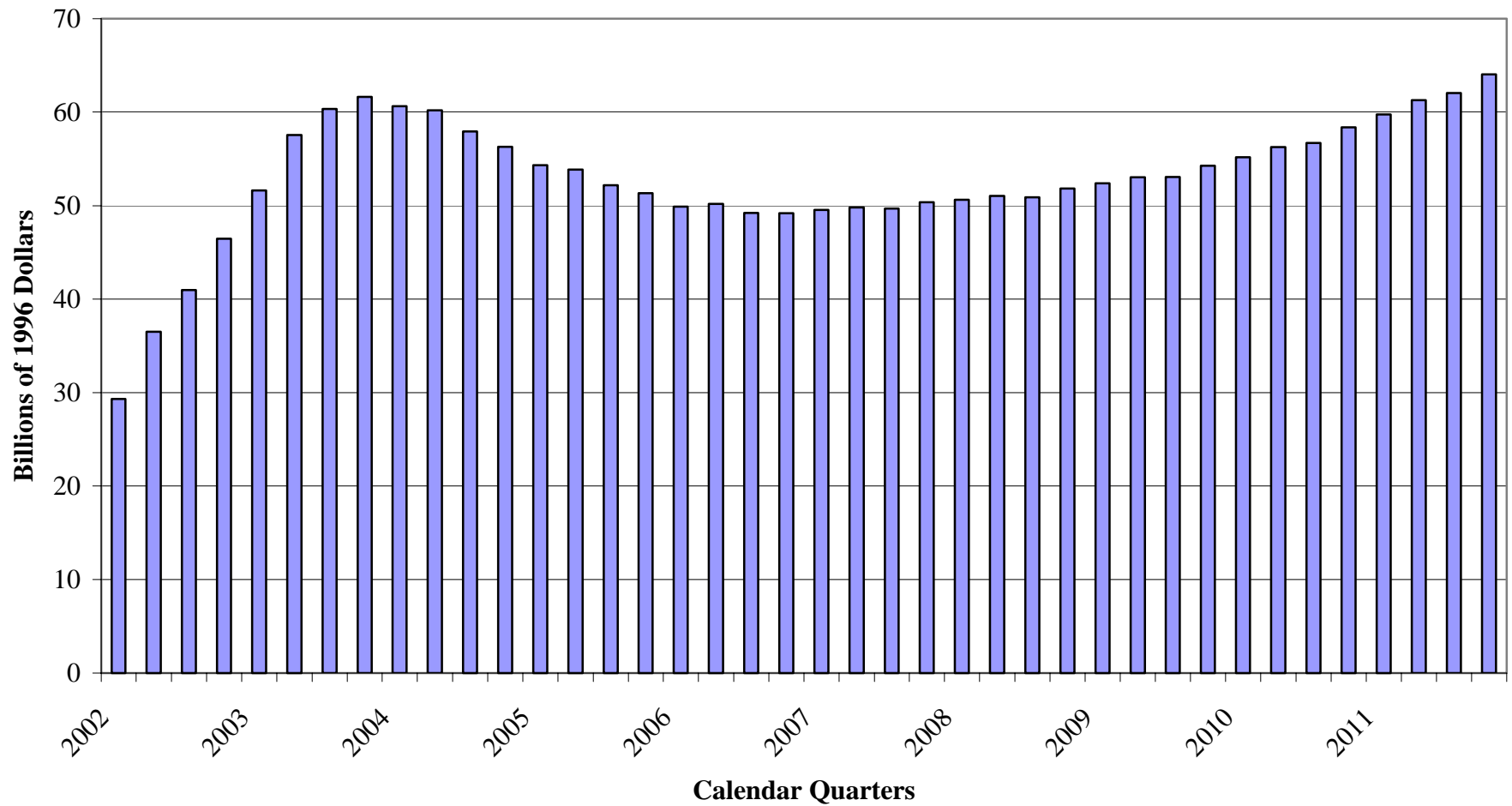


Chart 2
Increase in Civilian Employment

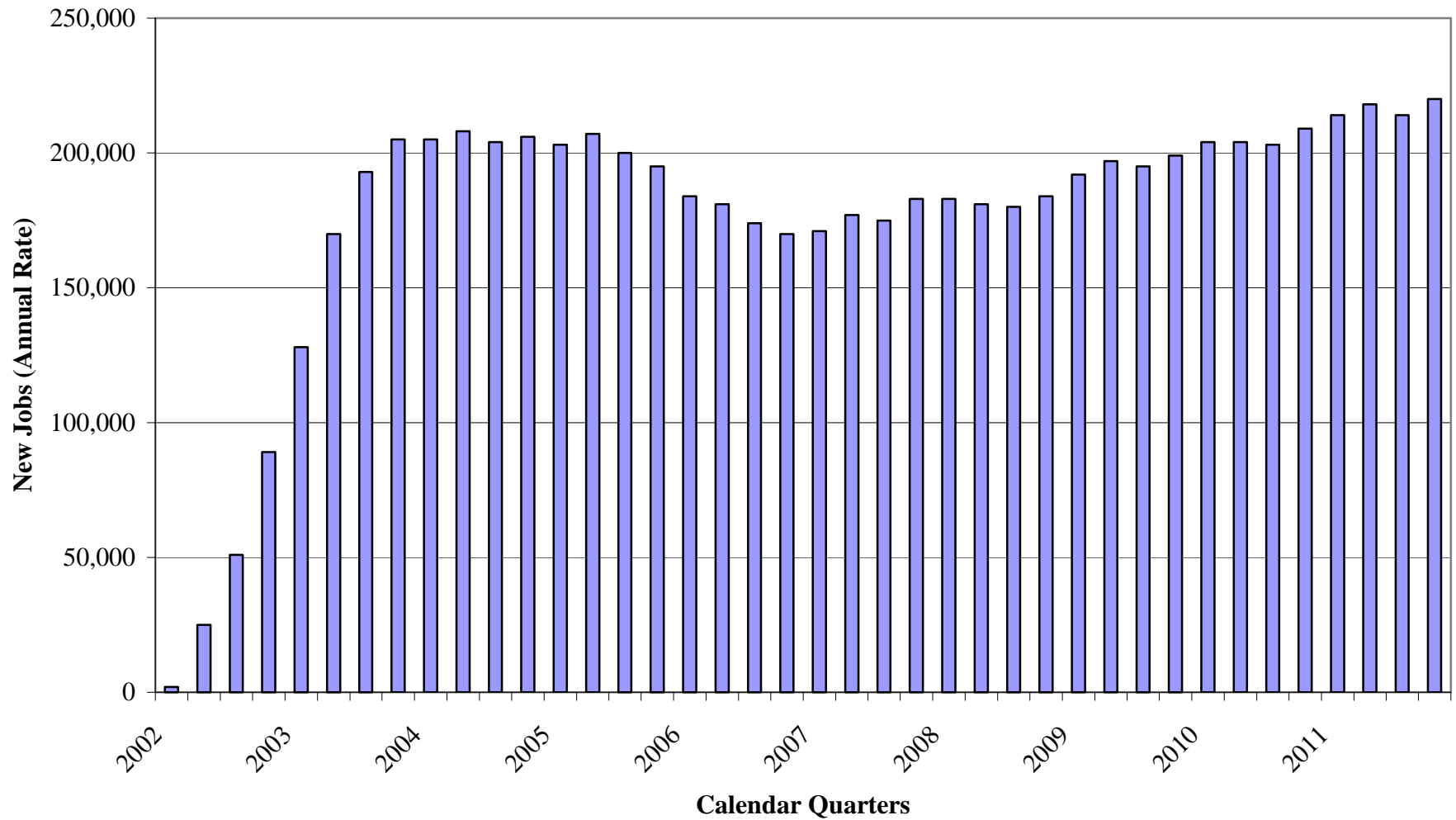


Chart 3
Additional Fixed Investment
(After Inflation)

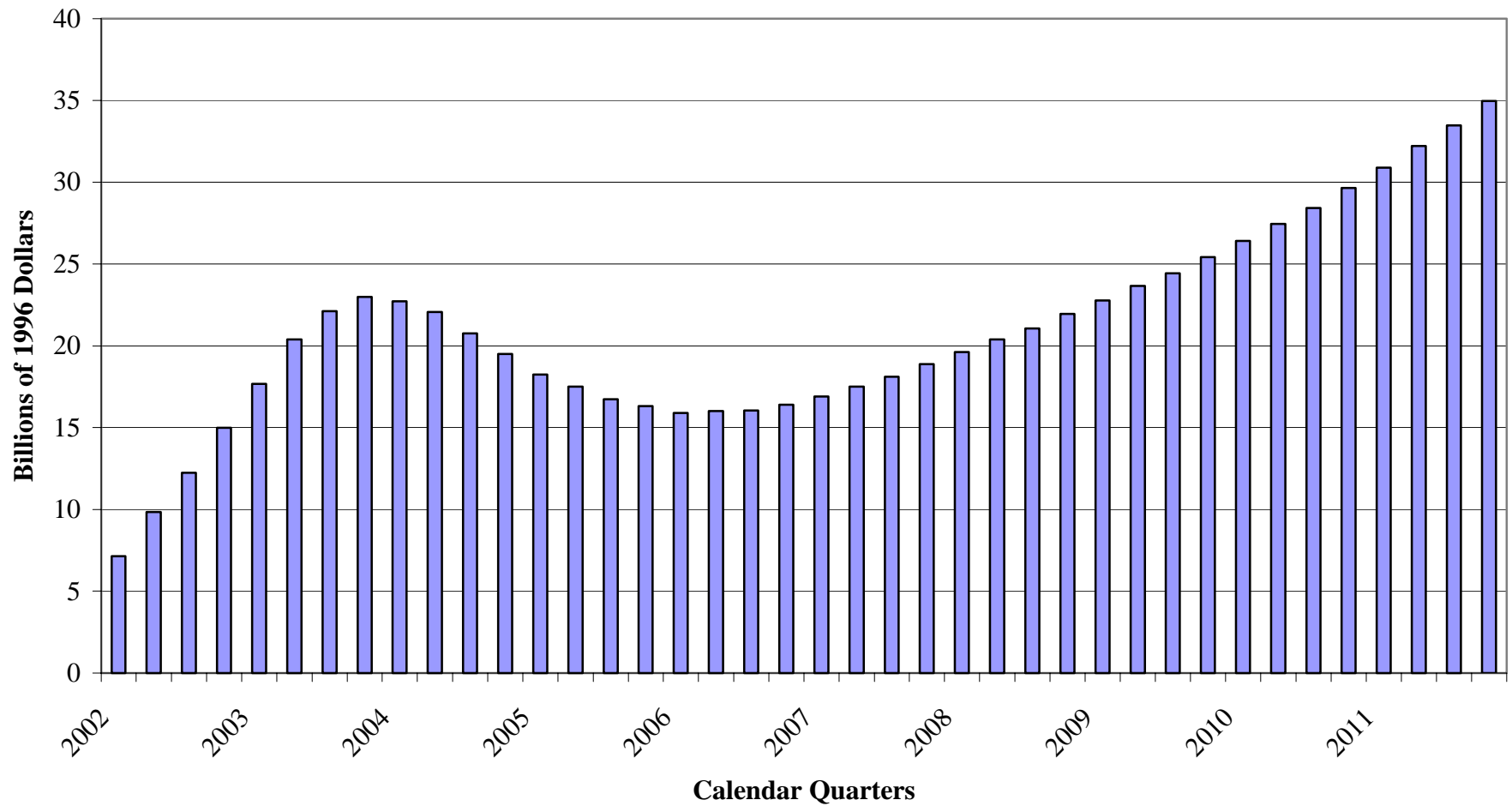


Chart 4
Capital Costs Fall

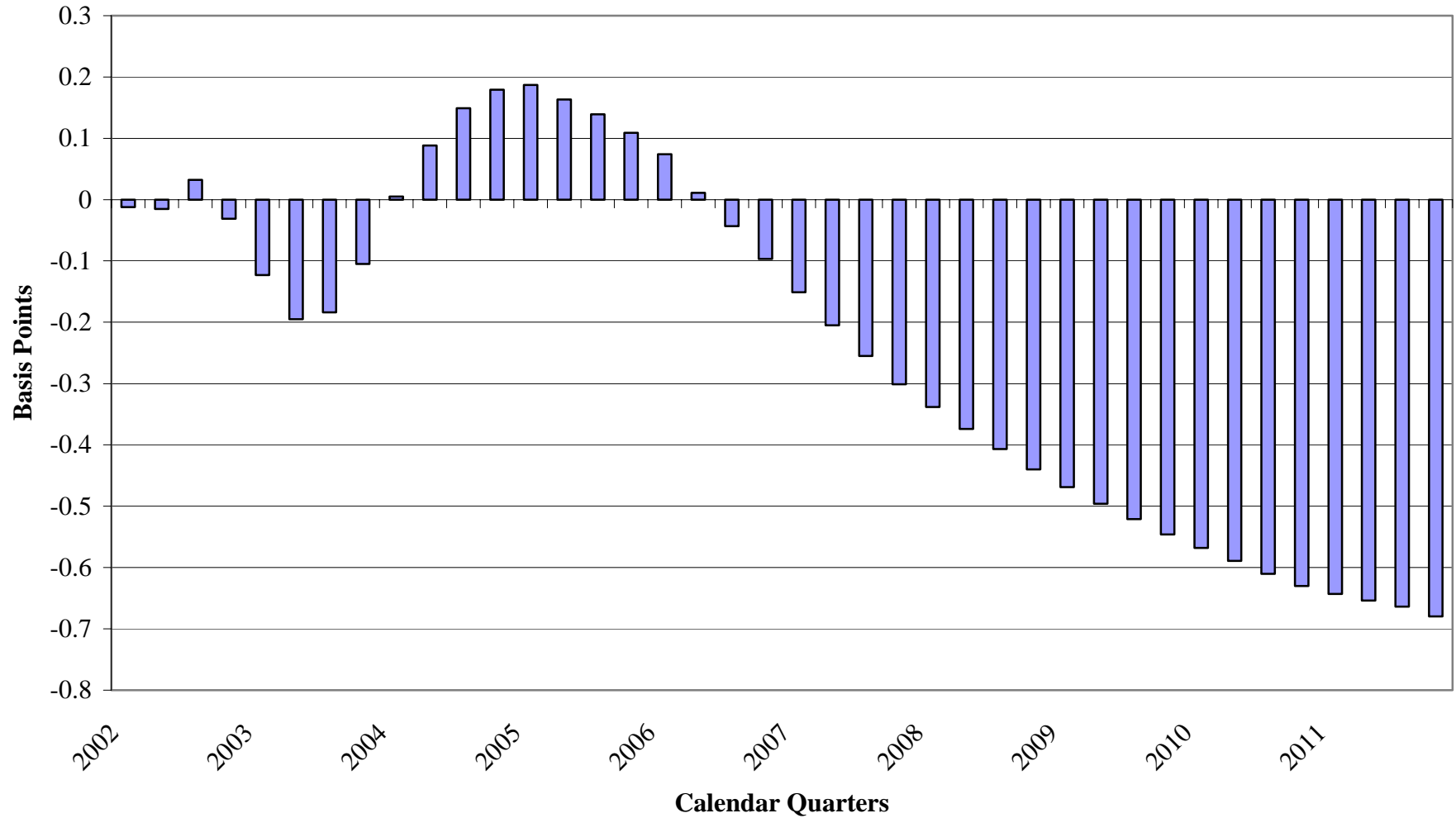


Chart 5
Change in Federal Outlays

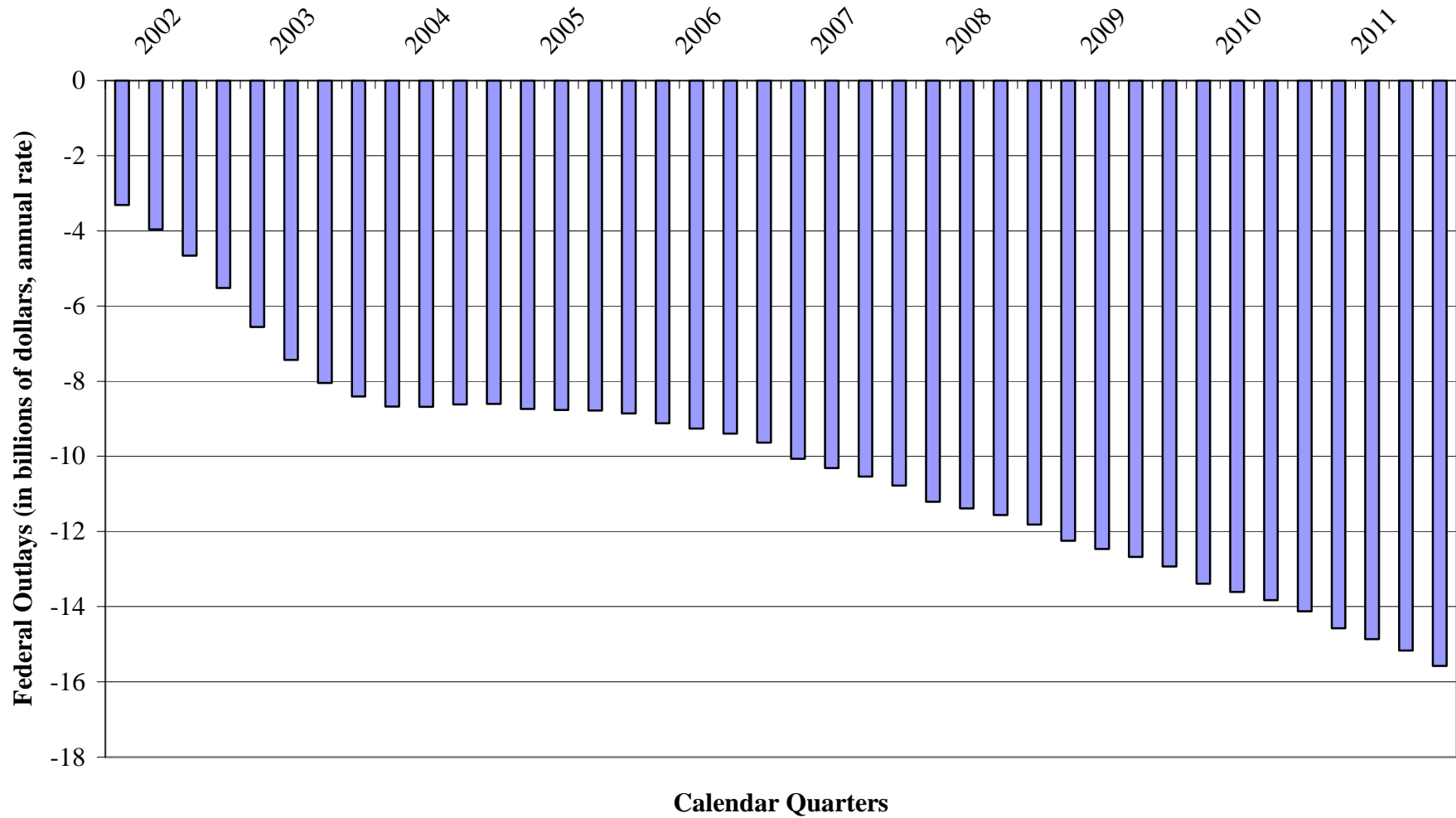


Chart 6
Additional Federal Surplus from 10 Percent Lower Petroleum Prices

